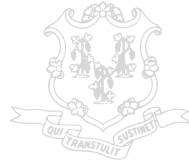


OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 11-84 — sSB 1003

Commerce Committee

Transportation Committee

Labor and Public Employees Committee

Government Administration and Elections Committee

Finance, Revenue and Bonding Committee

Appropriations Committee

AN ACT CONCERNING THE CONNECTICUT AIRPORT AUTHORITY

SUMMARY: This act establishes the Connecticut Airport Authority (CAA) to develop, improve, and operate Bradley International Airport, the state's five other general aviation airports (Danielson, Groton/New London, Hartford Brainard, Waterbury-Oxford, and Windham airports), and any other general aviation airports CAA subsequently owns, operates, and manages. The act authorizes DOT, which exercises most airport-related powers, duties, and functions, to transfer them to CAA, but DOT continues to exercise them until the transfer. The act automatically transfers to CAA the powers, duties, and functions previously assigned to specified agencies.

The act establishes an 11-member board to govern CAA. The new board, which consists of gubernatorial and legislative appointees and state officials, replaces the Bradley International Airport Board of Directors. It has many of the Bradley board's powers plus the power to hire staff, retain consultants, procure goods and services, apply for federal and state funds, enter into contracts, borrow money, and issue CAA's bonds.

The act makes CAA a successor employer to the state and requires it to recognize existing state bargaining units and collective bargaining agreements. It requires existing DOT aviation employees to be transferred, with their positions, to CAA. The act prohibits any DOT employee in a bargaining unit from being laid off because of CAA's creation.

The act makes many conforming changes.

EFFECTIVE DATE: July 1, 2011

§§ 1, 2, 3, 16, 18, & 19 — QUASI-PUBLIC AGENCY

The act establishes CAA as a quasi-public agency to develop, maintain, and operate Bradley International Airport, the state's general aviation airports, and other airports — functions DOT and the Bradley International Airport Board of Directors currently perform. In establishing CAA, the act (1) distinguishes Bradley International Airport from the other CAA-owned and -operated airports by designating the latter "general aviation airports" and (2) requires CAA to comply with all federal obligations the state incurred with respect to both types of airports.

As a quasi-public agency, CAA has perpetual succession as a body politic and corporate and must continue operating until it repays its bonds and meets its other obligations. It may adopt and alter an official seal and adopt bylaws to conduct business and regulate its affairs.

CAA must meet the same statutory conditions and requirements as other quasi-public agencies. Consequently, it must obtain the state treasurer's approval before it can issue bonds or incur other debt guaranteed by the state or backed by a state-capitalized or -guaranteed capital reserve fund. Its accounts must be audited by the state auditors. CAA's employees must comply with the state code of ethics. They enjoy the same indemnity as state employees.

§§ 12 & 15 — TRANSFERRING AIRPORT-RELATED POWERS, DUTIES, AND FUNCTIONS

Agency-Specific Requirements

Prior law assigned airport-related powers, duties, and functions to several agencies. The act's provisions for transferring them to CAA vary depending on the agency. The act automatically transfers to CAA all powers and duties previously assigned to the Office of Policy and Management (OPM), Department of Administrative Services, Department of Information Technology, State Property Review Board (SPRB), and Contracting Standards Board.

The act does not transfer to CAA those airport-related powers, duties, and functions the law assigns to DOT. Rather, it allows the DOT commissioner to decide which ones to cede to CAA. In the meantime, DOT must continue operating Bradley and the other general aviation airports. DOT's authority regarding Bradley includes setting rates, rents, and fees and preparing its annual operating budget.

Transfer Mechanisms

The act specifies how the DOT commissioner must transfer the powers and duties he cedes to CAA. He must do so by entering into one or more memoranda of understanding (MOU) with CAA specifying the transferred powers and duties. If the transfer affects outstanding bonds, the treasurer must be a party to the MOU. The commissioner cannot reclaim any powers, duties, assets, funds, accounts, contracts, or liabilities he cedes under a MOU.

The commissioner must also establish a Bureau of Aviation (BOA) to bring about CAA's ownership, jurisdiction, or authority over Bradley, the general aviation airports, and any other airports. (DOT's organizational elements already include a Bureau of Aviation and Ports.) BOA must do so under those arrangements specified in the MOU and that CAA deems to be in its best interest. The arrangements include deeds, leases, management contracts, agency agreements, or assumptions. DOT can receive no compensation for these arrangements. When implementing an MOU, BOA must comply with existing contracts and applicable federal and state laws, regulations, or rules.

MOU

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The MOU must conform to the act. It cannot grant CAA powers and duties that exceed those the act provides. Nor can it assign CAA administrative support functions that can be implemented only by expanding those powers and duties.

The MOU must provide for an orderly transfer and transition of ownership, jurisdiction, and authority from DOT to CAA. It must specify:

1. each party's powers regarding Bradley, the general aviation airports, and other airports;
2. assets, funds, accounts, contracts, liabilities, and powers and duties DOT will transfer to CAA and the mechanism for doing so (e.g., deeds, leases, management contracts, agency agreements, assignments, or assumptions);
3. the party responsible for meeting federal obligations;
4. the employees DOT will transfer to CAA;
5. schedules for completing the transfers;
6. the administrative services DOT will provide to CAA; and
7. how CAA will reimburse the state for these services.

If the treasurer and the Bond Commission approve, a MOU may allow CAA to assume the state's obligation for any outstanding bonds, notes, and other debt and indemnify and release the state from any accompanying liabilities and expenses. In assuming the obligation, CAA must comply with the indenture securing the debt.

The act imposes certain restrictions on MOUs. MOUs cannot require CAA to provide administrative services to the general aviation airports without allowing it to use the money appropriated for them. Nor can they authorize actions that would contravene any contract between the state and another party unless the parties agree to allow the action. This restriction specifically applies to MOU provisions transferring or granting powers, resources, and liabilities to CAA and bond contracts, trust indentures, or other bond-related agreements.

After the parties approve a MOU, CAA may accept a transfer, assignment, or lease the MOU authorizes by notifying DOT that it is ready to do so. DOT cannot unreasonably delay or withhold these actions. When these actions take effect and jurisdiction and control of the airports pass to CAA, DOT's regulations become CAA's regulations and procedures, and CAA must make any necessary additions and modifications as the law provides. This requirement applies to those regulations governing airport fees; aeronautics and aviation; and airport licenses, uses, and operations.

The comptroller may establish funds and accounts to implement CAA's MOU or the act. CAA must deposit all licensing and user fee revenue it receives from airport operations in a fund established for such operations. CAA may tap the fund to cover budgeted expenses for authorized purposes.

Bradley Enterprise Fund

The act allows CAA to tap the Bradley Enterprise Fund to pay for the functions it must perform at Bradley under a MOU. CAA may do so by entering into a MOU with the treasurer regarding the fund's use. The MOU may transfer the fund to CAA to operate and maintain Bradley.

§§ 2-4 — ORGANIZATION STRUCTURE

Board of Directors

Composition. The act creates an 11-member board to govern CAA. The top four legislative leaders each appoint one member and the governor appoints four. The three remaining members are the treasurer and DOT and Economic and Community Development commissioners, or their designees, who serve on the board *ex officio*. Members may not designate others to act in their absence, and they are deemed to have resigned if they miss (1) three consecutive meetings or (2) at least half of all board meetings in a calendar year. Appointing authorities must fill any vacancies occurring before a term expires, and the people they appoint must serve only for the term's balance.

Qualifications. Appointed board members must have business and management experience and expertise in financial planning, budgeting and assessment, marketing, master planning, aviation, and transportation management.

Bonds. The board members and the executive director must post bonds. The board chairman can execute a blanket bond covering all members, the director, and CAA's employees, or each member can post a \$50,000 surety bond and the executive director a \$100,000 bond. In both cases, the bonds must be conditioned on the parties faithfully performing their official duties. CAA must pay for the bonds.

Terms. The initial appointees serve four-year terms, except for two of the governor's appointees, who serve two-year terms. They may begin serving upon appointment, but not past the sixth Wednesday of the legislature's next regular session unless they are nominated and confirmed under the statutory procedure for nominating and confirming department heads (CGS § 4-7).

After the initial appointees' terms expire, all the subsequent appointees serve four-year terms, which begin on July 1 of the year appointed. These appointees must be nominated and confirmed under the statutory procedure for filling vacancies when the legislature is not in session (CGS § 4-19).

Officers. The governor appoints the chairperson, who serves a four-year term. The board elects from its members the vice chairperson and other necessary officers. It must fill vacancies among the officers within 30 days after the vacancy occurs the same way it filled the position.

Conflict of Interest. The act specifies how board members can serve without incurring a conflict of interest. Members with a financial interest in a person, firm, or corporation or who serve as trustees, directors, partners, or officers of these entities can avoid such conflicts by not deliberating, acting, or voting on any matter affecting their respective entities.

The act does not preclude people from serving on the board based on their profession or business, but requires them to comply with (1) the board's code of conduct and (2) all applicable federal or state ethics or conflict of interest laws, regulations, and rules. Members are not compensated for serving on the board, but must be reimbursed for expenses they incur while performing official duties.

Conducting Business. The board can meet and conduct business if at least six members are present and may decide matters by a majority of those present. It can

also delegate powers and duties to six or more members. It must adopt bylaws to conduct business and appoint necessary committees and advisory boards.

It must adopt written procedures for:

1. adopting annual budgets and operating plans;
2. hiring, dismissing, and compensating employees;
3. acquiring real and personal property and procuring personal services;
4. contracting for professional services;
5. issuing and retiring bonds and other debt;
6. awarding financial assistance; and
7. using surplus funds to the extent the act allows.

The procurement procedures must require the board to approve nonbudgeted expenditures over \$5,000; the personnel procedures must include an affirmative action policy and require the board to approve each new position and hiring.

Removing Members. Any member's appointing authority can remove a member for misconduct, inefficiency, or failure to perform. But the appointing authority must first give the member a written copy of the charges and an opportunity to be heard. The hearing must occur within 10 days after receiving the appointing authority's notice. If the appointing authority removes the member, it must file with the secretary of the state a (1) report stating the charge and the findings and (2) complete record of the proceedings.

Executive Director

The board appoints the CAA executive director, who cannot be a CAA member. The director must generally direct and supervise CAA's administrative affairs and technical activities and perform the administrative and managerial tasks the act specifies. The board determines the director's compensation.

§ 3 — ADMINISTRATIVE POWERS

The act gives CAA powers needed to develop, maintain, and operate Bradley, the general aviation airports, and the other airports it acquires. Many of these powers are similar to those exercised by other quasi-public agencies and include:

1. maintaining offices,
2. acting in its own name,
3. entering into contracts and agreements needed to perform its duties,
4. acquiring real and personal property,
5. borrowing money,
6. issuing bonds and incurring other debt,
7. entering into currency and interest rate swaps and credit enhancements and liquidity agreements,
8. preparing plans and budgets,
9. hiring employees and retaining consultants,
10. accepting aid and contributions from any source,
11. adopting policies and procedures,
12. auditing and accounting for its funds and those of its recipients, and
13. reporting annually to the governor and the Transportation and Commerce

committees.

The act allows CAA to acquire, lease, and dispose of real property and acquire personal property. It exempts CAA's real estate transactions from review and approval of any state agency, but prohibits it from conveying any airport land under its jurisdiction and control without the SPRB's and the attorney general's approval.

The other powers are more related to operating airports and include:

1. developing organizational and management structures;
2. establishing operational rules and procedures;
3. setting rates, rents, fees, and charges;
4. approving airport master plans and marketing policies;
5. approving airport-related safety, security, and federal certification plans, procedures, and specifications;
6. managing and administering federal aviation funds and special obligation bonds issued to finance airport improvements;
7. establishing customer service standards and similar measures; and
8. approving community relations policies.

The act also allows CAA to:

1. ensure that Bradley, the general aviation, and other airports serve as regional and state economic development resources;
2. license airports and heliports consistent with state and federal rules and regulations; and
3. manage and administer the state's aircraft registration program.

§§ 14 & 22 — AIRPORT PROPERTY

The act gives CAA broad powers to manage airport property. CAA has undivided control over any airport or land area it owns, leases, controls, operates, or manages. It can sell or lease its property or grant an interest in it — an authorization that applies to airports, airport sites, hangars, shops, and buildings. But CAA cannot grant any exclusive rights to use any airway, airport, restricted landing area, or other navigation facility under its jurisdiction.

CAA can also acquire title, interest, or rights in any such facilities in private or municipal airports. And it can purchase or acquire any interest in any land, building, equipment, or facility it leased or granted in an airport or airport site. CAA can accept any interest or right in any DOT-owned airport, restricted landing area, or other navigation facility.

By law, the DOT commissioner can acquire or take by eminent domain aviation-related property. The act allows him to transfer interests and rights in such property to CAA with its approval and that of the SPRB and the attorney general. It also allows him to take or acquire an interest in real and personal property CAA sells, leases, or grants in any airport or airport site.

CAA can also manage and operate its property. It can provide parking, limit motor vehicle speeds, control traffic flow, designate crosswalks, and erect signs. It can also execute mutual fire protection agreements with municipalities.

§§ 6-9 — FISCAL POWERS

§§ 6-8 — *Bonding*

The act authorizes CAA to issue bonds backed only by its own revenue to finance improvements at Bradley, the general aviation airports, and the other airports it acquires. CAA must repay the bonds no later than 40 years after issuing them. It can (1) issue bonds to finance general improvements and back them with some or all of its revenue or (2) it can issue bonds to finance a specific improvement, such as a parking garage, and back them only with the revenue the improvement generates.

CAA may use the proceeds from the bond sales to:

1. cover construction costs, including administrative, labor, and material expenses;
2. acquire land and interests needed to construct or operate facilities and any subsequent damage costs;
3. purchase machinery and equipment needed for these purposes; and
4. capitalize reserve funds for repaying the bonds.

The bonds do not count toward the state's bond cap, and only CAA is liable for them. The act explicitly exempts the state, municipalities, and other political subdivisions from any obligation to repay the bonds. It exempts the principal and interest payments to the bondholders from all taxes except the estate and gift tax, but requires them to include these payments when computing excise and franchise taxes.

The act allows CAA to determine how it will issue and repay the bonds and specifies the kinds of terms and conditions it may include in its agreements with the bondholders. It also declares the bonds negotiable instruments under the Uniform Commercial Code subject only to their registration requirements. The act makes the bonds securities in which governments and private entities may invest. CAA may sell the bonds (1) at a public sale on sealed proposals at a price and time it chooses or (2) by negotiating with investors.

The act authorizes or requires several actions to assure bondholders that CAA will repay them. It specifies that the state will not limit or alter CAA's rights until CAA repays its outstanding bonds and authorizes CAA to create and maintain special capital reserves to back them. It also appropriates from the General Fund any amount needed to maintain these special capital reserves at the required minimum level. The funds must be appropriated as needed on or before December 1. CAA's chairperson or vice chairperson must certify the amount to the treasurer and the OPM secretary.

The act also allows CAA to secure that pledge by entering into agreements with a trustee representing the bondholders' interests (i.e., trust of indenture). The act requires CAA to secure principal and interest payments by pledging its revenue, which is also immediately subject to lien without any action on the bondholders' part.

The act allows CAA to issue bonds to refund its outstanding bonds and specifies conditions for doing so. It also allows CAA to use its funds to purchase its bonds and those of the state and dispose of the bonds as the bond agreements allow.

By law, the State Bond Commission can issue bonds to finance capital

improvements at Bradley and back them with airport-related revenue (CGS § 15-101I). But it can do so only if the Bradley board of directors adopts a resolution requesting bonds and the DOT commissioner presents it to the treasurer. By eliminating the board, the act prevents the commissioner from requesting bonds.

§ 8 — *Investments*

The act allows CAA to manage its funds, including bond proceeds. CAA can invest and reinvest its funds in obligations, securities, and other investments. It can also deposit and redeposit them in banks. But, in either case, it must comply with the bond agreements.

§ 9 — *Airport Revenue*

Under prior law, DOT covered the capital and operating costs of running Bradley and the general aviation airports by imposing rates, fees, rents, and charges on the people and entities that use airport facilities. The act authorizes CAA to do the same, setting the rates, fees, rents, and charges so that they generate enough revenue to maintain, improve, repair, and operate airport facilities; repay bonds and other obligations; and create and maintain reserves.

The act specifically requires CAA to set aside enough revenue for the purposes specified in its bond and trust agreements. These agreements may require CAA to (1) maintain reserves at specified levels or (2) periodically improve or maintain property. The act allows CAA to tap this revenue only as the agreements allow.

§ 9 — *Budgeting*

The act requires CAA to manage Bradley's finances, but only after the DOT commissioner cedes his comparable statutory powers and duties to CAA under a MOU. Those powers include preparing Bradley's annual operating budget, which DOT must submit to the OPM secretary for approval; estimating rate, rental, and fee revenue and operating costs; specifying scheduled bond payments and required reserves and sinking fund amounts.

The act requires CAA to designate its fiscal year and adopt, at least 30 days before the start of that year, an annual operating budget for Bradley, the general aviation airports, and any other airports it acquires. Besides providing funds to cover operating expenses, debt obligations, and reserves, the budget must estimate the revenue CAA expects to receive from rates, rents, fees, and charges. The act specifies how and when CAA must transfer revenue into operating accounts.

In preparing the budget, CAA must comply with the laws that currently apply to state employees and state property. Regarding the former, the act specifies that all pension, retirement, and other similar benefits continue as though they were funded out of the state's General Fund.

§§ 13 & 15 — PERSONNEL

Successor Agency

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The act makes the authority a successor employer to the state and requires it to recognize existing state bargaining units and collective bargaining agreements. The Aviation Bureau must consolidate all existing airport-related positions pending DOT's transfer to CAA. These include fiscal, administrative, management, operational, maintenance, aircraft rescue, and firefighting personnel, including those that are not part of a collective bargaining unit.

The act deems CAA's employees to be state employees for collective bargaining purposes (§ 13(a)) and health and retirement benefits (§ 13(g)). CAA must reimburse the appropriate state agencies for the costs they incur providing these benefits to CAA's employees.

Hiring

The act allows CAA to create and fill unclassified positions without having to comply with Executive Branch policies and procedures. Under the act, CAA's employees covered by a collective bargaining agreement are in the classified service; managerial employees and other employees not covered by a collective bargaining agreement are exempt from the classified service. The act allows CAA to establish compensation and incentive plans for employees exempt from classified service.

Transfers

The act requires existing DOT aviation employees to be transferred, with their positions, to CAA if and when the DOT commissioner transfers the functions they perform to CAA. If CAA does not create enough positions for all of them, offers to transfer employees must be based on statutes or the collective bargaining provisions governing seniority. Anyone covered by a collective bargaining agreement who transfers to CAA retains his or her position and remains in the same bargaining unit to which he or she belonged.

No DOT employee in a bargaining unit can be laid off because of CAA's creation, unless he or she chooses to be. This rule applies to employees who decline transfer to CAA and those for whom CAA has no slots. Employees no longer employed by DOT must be retained by DOT or assigned, with their position, to another state agency, based on seniority according to the State Employees Bargaining Agreement. The OPM secretary must approve all transfers.

Employees who choose to be laid off are entitled to be rehired according to their respective union contracts and the collective bargaining agreement. Laws concerning quasi-public agencies, the Division of Special Revenue, and the Connecticut Lottery Corporation will not affect DOT employees' collective bargaining rights.

New Classifications

CAA's board of directors may create new employee classifications, which under the act are neither part of the classified service nor comparable to those in it. Starting July 1, 2011, the authority may hire employees into unclassified positions and set the initial terms and conditions of employment without regard to

a collective bargaining agreement.

Collective Bargaining

Under the act, the Executive Branch negotiates for the CAA and represents it in collective bargaining, but CAA may have a representative at the bargaining meetings.

Arbitrators dealing with CAA employees must consider the laws governing arbitration for state employees and the laws concerning quasi-public agencies, the Division of Special Revenue and Gaming Policy Board, and Connecticut Lottery Corporation; the authority's entrepreneurial mission; and the need for flexibility and innovation.

§§ 11 & 5 — REPORTS

CAA must annually submit a performance report to the governor and the Transportation and Commerce committees by December 15. The report must summarize CAA's activities, include complete operating and financial statements, and recommend legislation to promote CAA's purposes.

CAA's board of directors must also submit a copy of CAA's independent audit to the governor and the legislature within seven days after receiving it. It must send copies to the Appropriations, Commerce, and Transportation committees.

OLR Tracking: JR:KM:VR:ro